
HOUSE BILL 1467

State of Washington 60th Legislature 2007 Regular Session

By Representatives Anderson, Alexander, McDonald, Haler, Bailey, McCune, Chandler, Dunn, Rodne, Skinner, Warnick, Ross and Newhouse

Read first time 01/19/2007. Referred to Committee on Appropriations.

1 AN ACT Relating to a budget stabilization fund; amending RCW
2 43.135.025 and 43.135.035; reenacting and amending RCW 43.84.092 and
3 43.135.045; adding new sections to chapter 43.79 RCW; adding a new
4 section to chapter 82.33 RCW; creating a new section; repealing RCW
5 43.33A.220 and 43.135.051; and providing a contingent effective date.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 NEW SECTION. **Sec. 1.** A new section is added to chapter 43.79 RCW
8 to read as follows:

9 The budget stabilization fund is created in the state treasury.
10 Moneys in the fund may be spent only after appropriation.

11 NEW SECTION. **Sec. 2.** A new section is added to chapter 43.79 RCW
12 to read as follows:

13 The debt retirement fund is created in the state treasury.
14 Appropriations from the account may be made only for the purposes of
15 principal and interest payments on state bonds. Moneys in the fund may
16 be spent only after appropriation.

1 NEW SECTION. **Sec. 3.** A new section is added to chapter 43.79 RCW
2 to read as follows:

3 (1) The budget stabilization fund is governed by the provisions in
4 Article VII, section . . . (House Joint Resolution No.
5 (H-1048/07)) and this section.

6 (2) By June 30th of each fiscal year, the state treasurer shall
7 transfer an amount equal to three percent of the general state revenues
8 for that fiscal year to the budget stabilization fund.

9 (3) When the balance in the budget stabilization fund, including
10 investment earnings, equals more than seven percent of the estimated
11 general state revenues in the fiscal year, the state treasurer shall
12 deposit the balance into the debt retirement fund, to the extent the
13 balance exceeds seven percent of the estimated general state revenues.
14 For the purposes of this section, the treasurer shall transfer moneys
15 on June 30th of each fiscal year, if the balance exceeds seven percent
16 of the estimated general state revenues on June 30th of that fiscal
17 year.

18 (4) The state investment board has the full power to invest,
19 reinvest, manage, contract, sell, or exchange investment moneys in the
20 budget stabilization fund. All investment and operating costs
21 associated with the investment of money shall be paid pursuant to RCW
22 43.33A.160 and 43.84.160. With the exception of these expenses, the
23 earnings from the investment of the money shall be retained by the
24 account. All investments made by the state investment board shall be
25 made with the exercise of that degree of judgment and care pursuant to
26 RCW 43.33A.140 and the investment policies established by the state
27 investment board. As deemed appropriate by the state investment board,
28 moneys in the account may be commingled for investment with other funds
29 subject to investment by the board.

30 (5) For the purposes of Article VII, section . . . (House Joint
31 Resolution No. (H-1048/07)), "inflation" means inflation as
32 measured by the implicit price deflator for the United States published
33 by the federal bureau of labor statistics.

34 NEW SECTION. **Sec. 4.** A new section is added to chapter 82.33 RCW
35 to read as follows:

36 The state economic and revenue forecast council shall perform the

1 general state revenue forecasts required by Article VII, section . . .
2 (House Joint Resolution No. (H-1048/07)).

3 **Sec. 5.** RCW 43.84.092 and 2006 c 337 s 11, 2006 c 311 s 23, 2006
4 c 171 s 10, 2006 c 56 s 10, and 2006 c 6 s 8 are each reenacted and
5 amended to read as follows:

6 (1) All earnings of investments of surplus balances in the state
7 treasury shall be deposited to the treasury income account, which
8 account is hereby established in the state treasury.

9 (2) The treasury income account shall be utilized to pay or receive
10 funds associated with federal programs as required by the federal cash
11 management improvement act of 1990. The treasury income account is
12 subject in all respects to chapter 43.88 RCW, but no appropriation is
13 required for refunds or allocations of interest earnings required by
14 the cash management improvement act. Refunds of interest to the
15 federal treasury required under the cash management improvement act
16 fall under RCW 43.88.180 and shall not require appropriation. The
17 office of financial management shall determine the amounts due to or
18 from the federal government pursuant to the cash management improvement
19 act. The office of financial management may direct transfers of funds
20 between accounts as deemed necessary to implement the provisions of the
21 cash management improvement act, and this subsection. Refunds or
22 allocations shall occur prior to the distributions of earnings set
23 forth in subsection (4) of this section.

24 (3) Except for the provisions of RCW 43.84.160, the treasury income
25 account may be utilized for the payment of purchased banking services
26 on behalf of treasury funds including, but not limited to, depository,
27 safekeeping, and disbursement functions for the state treasury and
28 affected state agencies. The treasury income account is subject in all
29 respects to chapter 43.88 RCW, but no appropriation is required for
30 payments to financial institutions. Payments shall occur prior to
31 distribution of earnings set forth in subsection (4) of this section.

32 (4) Monthly, the state treasurer shall distribute the earnings
33 credited to the treasury income account. The state treasurer shall
34 credit the general fund with all the earnings credited to the treasury
35 income account except:

36 (a) The following accounts and funds shall receive their
37 proportionate share of earnings based upon each account's and fund's

1 average daily balance for the period: The budget stabilization
2 account, the capitol building construction account, the Cedar River
3 channel construction and operation account, the Central Washington
4 University capital projects account, the charitable, educational, penal
5 and reformatory institutions account, the Columbia river basin water
6 supply development account, the common school construction fund, the
7 county criminal justice assistance account, the county sales and use
8 tax equalization account, the data processing building construction
9 account, the debt retirement fund, the deferred compensation
10 administrative account, the deferred compensation principal account,
11 the department of retirement systems expense account, the developmental
12 disabilities community trust account, the drinking water assistance
13 account, the drinking water assistance administrative account, the
14 drinking water assistance repayment account, the Eastern Washington
15 University capital projects account, the education construction fund,
16 the education legacy trust account, the election account, (~~the~~
17 ~~emergency reserve fund,~~) the energy freedom account, The Evergreen
18 State College capital projects account, the federal forest revolving
19 account, the freight mobility investment account, the freight mobility
20 multimodal account, the health services account, the public health
21 services account, the health system capacity account, the personal
22 health services account, the state higher education construction
23 account, the higher education construction account, the highway
24 infrastructure account, the high-occupancy toll lanes operations
25 account, the industrial insurance premium refund account, the judges'
26 retirement account, the judicial retirement administrative account, the
27 judicial retirement principal account, the local leasehold excise tax
28 account, the local real estate excise tax account, the local sales and
29 use tax account, the medical aid account, the mobile home park
30 relocation fund, the multimodal transportation account, the municipal
31 criminal justice assistance account, the municipal sales and use tax
32 equalization account, the natural resources deposit account, the oyster
33 reserve land account, the pension funding stabilization account, the
34 perpetual surveillance and maintenance account, the public employees'
35 retirement system plan 1 account, the public employees' retirement
36 system combined plan 2 and plan 3 account, the public facilities
37 construction loan revolving account beginning July 1, 2004, the public
38 health supplemental account, the public works assistance account, the

1 Puyallup tribal settlement account, the real estate appraiser
2 commission account, the regional mobility grant program account, the
3 resource management cost account, the rural Washington loan fund, the
4 site closure account, the small city pavement and sidewalk account, the
5 special wildlife account, the state employees' insurance account, the
6 state employees' insurance reserve account, the state investment board
7 expense account, the state investment board commingled trust fund
8 accounts, the supplemental pension account, the Tacoma Narrows toll
9 bridge account, the teachers' retirement system plan 1 account, the
10 teachers' retirement system combined plan 2 and plan 3 account, the
11 tobacco prevention and control account, the tobacco settlement account,
12 the transportation infrastructure account, the transportation
13 partnership account, the tuition recovery trust fund, the University of
14 Washington bond retirement fund, the University of Washington building
15 account, the volunteer fire fighters' and reserve officers' relief and
16 pension principal fund, the volunteer fire fighters' and reserve
17 officers' administrative fund, the Washington fruit express account,
18 the Washington judicial retirement system account, the Washington law
19 enforcement officers' and fire fighters' system plan 1 retirement
20 account, the Washington law enforcement officers' and fire fighters'
21 system plan 2 retirement account, the Washington public safety
22 employees' plan 2 retirement account, the Washington school employees'
23 retirement system combined plan 2 and 3 account, the Washington state
24 health insurance pool account, the Washington state patrol retirement
25 account, the Washington State University building account, the
26 Washington State University bond retirement fund, the water pollution
27 control revolving fund, and the Western Washington University capital
28 projects account. Earnings derived from investing balances of the
29 agricultural permanent fund, the normal school permanent fund, the
30 permanent common school fund, the scientific permanent fund, and the
31 state university permanent fund shall be allocated to their respective
32 beneficiary accounts. All earnings to be distributed under this
33 subsection (4)(a) shall first be reduced by the allocation to the state
34 treasurer's service fund pursuant to RCW 43.08.190.

35 (b) The following accounts and funds shall receive eighty percent
36 of their proportionate share of earnings based upon each account's or
37 fund's average daily balance for the period: The aeronautics account,
38 the aircraft search and rescue account, the county arterial

1 preservation account, the department of licensing services account, the
2 essential rail assistance account, the ferry bond retirement fund, the
3 grade crossing protective fund, the high capacity transportation
4 account, the highway bond retirement fund, the highway safety account,
5 the motor vehicle fund, the motorcycle safety education account, the
6 pilotage account, the public transportation systems account, the Puget
7 Sound capital construction account, the Puget Sound ferry operations
8 account, the recreational vehicle account, the rural arterial trust
9 account, the safety and education account, the special category C
10 account, the state patrol highway account, the transportation 2003
11 account (nickel account), the transportation equipment fund, the
12 transportation fund, the transportation improvement account, the
13 transportation improvement board bond retirement account, and the urban
14 arterial trust account.

15 (5) In conformance with Article II, section 37 of the state
16 Constitution, no treasury accounts or funds shall be allocated earnings
17 without the specific affirmative directive of this section.

18 **Sec. 6.** RCW 43.135.045 and 2005 c 518 s 931, 2005 c 314 s 401, and
19 2005 c 72 s 6 are each reenacted and amended to read as follows:

20 (1) ~~((The emergency reserve fund is established in the state
21 treasury. During each fiscal year, the state treasurer shall transfer
22 an amount from the state general fund to the emergency reserve fund.
23 The amount transferred shall equal the amount by which total state
24 revenue for the general fund and related funds exceeds the state
25 expenditure limit, multiplied by the percentage that general fund
26 expenditures are of total expenditures from the general fund and
27 related funds. Transfers shall be made at the end of each fiscal
28 quarter based on projections of state revenues, expenditures, and the
29 state expenditure limit. The treasurer shall make transfers between
30 these accounts as necessary to reconcile actual annual revenues and the
31 expenditure limit for fiscal year 2000 and thereafter.~~

32 ~~(2) The legislature may appropriate moneys from the emergency
33 reserve fund only with approval of at least two thirds of the members
34 of each house of the legislature, and then only if the appropriation
35 does not cause total expenditures to exceed the state expenditure limit
36 under this chapter.~~

1 ~~(3) The emergency reserve fund balance shall not exceed five~~
2 ~~percent of annual general fund state revenues as projected by the~~
3 ~~official state revenue forecast. Any balance in excess of five percent~~
4 ~~shall be transferred on a quarterly basis by the state treasurer as~~
5 ~~follows: Seventy five percent to)) The student achievement fund is~~
6 ~~hereby created in the state treasury ((and twenty five percent to the~~
7 ~~general fund balance. The treasurer shall make transfers between these~~
8 ~~accounts as necessary to reconcile actual annual revenues for fiscal~~
9 ~~year 2000 and thereafter. When per student state funding for the~~
10 ~~maintenance and operation of K-12 education meets a level of no less~~
11 ~~than ninety percent of the national average of total funding from all~~
12 ~~sources per student as determined by the most recent published data~~
13 ~~from the national center for education statistics of the United States~~
14 ~~department of education, as calculated by the office of financial~~
15 ~~management, further deposits to the student achievement fund shall be~~
16 ~~required only to the extent necessary to maintain the ninety percent~~
17 ~~level. Remaining funds are part of the general fund balance and these~~
18 ~~funds are subject to the expenditure limits of this chapter)).~~

19 ~~((+4))~~ (2) The education construction fund is hereby created in
20 the state treasury.

21 (a) Funds may be appropriated from the education construction fund
22 exclusively for common school construction or higher education
23 construction.

24 (b) Funds may be appropriated for any other purpose only if
25 approved by a two-thirds vote of each house of the legislature and if
26 approved by a vote of the people at the next general election. An
27 appropriation approved by the people under this subsection shall result
28 in an adjustment to the state expenditure limit only for the fiscal
29 period for which the appropriation is made and shall not affect any
30 subsequent fiscal period.

31 ~~((+5))~~ (3) Funds from the student achievement fund shall be
32 appropriated to the superintendent of public instruction strictly for
33 distribution to school districts to meet the provisions set out in the
34 student achievement act. Allocations shall be made on an equal per
35 full-time equivalent student basis to each school district.

36 **Sec. 7.** RCW 43.135.025 and 2005 c 72 s 4 are each amended to read
37 as follows:

1 (1) The state shall not expend from the general fund and related
2 funds during any fiscal year state moneys in excess of the state
3 expenditure limit established under this chapter. Appropriations made
4 by the legislature from the general fund for expenditure into the
5 budget stabilization fund do not constitute expenditures for purposes
6 of this section.

7 (2) Except pursuant to a declaration of emergency under RCW
8 43.135.035 or pursuant to an appropriation under RCW 43.135.045(4)(b),
9 the state treasurer shall not issue or redeem any check, warrant, or
10 voucher that will result in a state general fund or related fund
11 expenditure for any fiscal year in excess of the state expenditure
12 limit established under this chapter. A violation of this subsection
13 constitutes a violation of RCW 43.88.290 and shall subject the state
14 treasurer to the penalties provided in RCW 43.88.300.

15 (3) The state expenditure limit for any fiscal year shall be the
16 previous fiscal year's state expenditure limit increased by a
17 percentage rate that equals the fiscal growth factor.

18 (4) For purposes of computing the state expenditure limit for the
19 fiscal year beginning July 1, 2007, the phrase "the previous fiscal
20 year's state expenditure limit" means the total state expenditures from
21 the state general fund and related funds, not including federal funds,
22 for the fiscal year beginning July 1, 2006, plus the fiscal growth
23 factor.

24 (5) A state expenditure limit committee is established for the
25 purpose of determining and adjusting the state expenditure limit as
26 provided in this chapter. The members of the state expenditure limit
27 committee are the director of financial management, the attorney
28 general or the attorney general's designee, and the chairs and ranking
29 minority members of the senate committee on ways and means and the
30 house of representatives committee on appropriations. All actions of
31 the state expenditure limit committee taken pursuant to this chapter
32 require an affirmative vote of at least four members.

33 (6) Each November, the state expenditure limit committee shall
34 adjust the expenditure limit for the preceding fiscal year based on
35 actual expenditures and known changes in the fiscal growth factor and
36 then project an expenditure limit for the next two fiscal years.
37 Appropriations made from the state general fund for expenditure into
38 the budget stabilization fund do not constitute actual expenditures for

1 purposes of rebasing pursuant to this subsection. If, by November
2 30th, the state expenditure limit committee has not adopted the
3 expenditure limit adjustment and projected expenditure limit as
4 provided in subsection (5) of this section, the attorney general or his
5 or her designee shall adjust or project the expenditure limit, as
6 necessary.

7 (7) "Fiscal growth factor" means the average growth in state
8 personal income for the prior ten fiscal years.

9 (8) "General fund" means the state general fund.

10 (9) "Related fund" means the health services account, violence
11 reduction and drug enforcement account, public safety and education
12 account, water quality account, or student achievement fund.

13 **Sec. 8.** RCW 43.135.035 and 2005 c 72 s 5 are each amended to read
14 as follows:

15 (1) After July 1, 1995, any action or combination of actions by the
16 legislature that raises state revenue or requires revenue-neutral tax
17 shifts may be taken only if approved by a two-thirds vote of each
18 house, and then only if state expenditures in any fiscal year,
19 including the new revenue, will not exceed the state expenditure limits
20 established under this chapter.

21 (2)(a) If the legislative action under subsection (1) of this
22 section will result in expenditures in excess of the state expenditure
23 limit, then the action of the legislature shall not take effect until
24 approved by a vote of the people at a November general election. The
25 state expenditure limit committee shall adjust the state expenditure
26 limit by the amount of additional revenue approved by the voters under
27 this section. This adjustment shall not exceed the amount of revenue
28 generated by the legislative action during the first full fiscal year
29 in which it is in effect. The state expenditure limit shall be
30 adjusted downward upon expiration or repeal of the legislative action.

31 (b) The ballot title for any vote of the people required under this
32 section shall be substantially as follows:

33 "Shall taxes be imposed on in order to allow a
34 spending increase above last year's authorized spending adjusted for
35 personal income growth?"

36 (3)(a) The state expenditure limit may be exceeded upon declaration
37 of an emergency for a period not to exceed twenty-four months by a law

1 approved by a two-thirds vote of each house of the legislature and
2 signed by the governor. The law shall set forth the nature of the
3 emergency, which is limited to natural disasters that require immediate
4 government action to alleviate human suffering and provide humanitarian
5 assistance. The state expenditure limit may be exceeded for no more
6 than twenty-four months following the declaration of the emergency and
7 only for the purposes contained in the emergency declaration.

8 (b) Additional taxes required for an emergency under this section
9 may be imposed only until thirty days following the next general
10 election, unless an extension is approved at that general election.
11 The additional taxes shall expire upon expiration of the declaration of
12 emergency. The legislature shall not impose additional taxes for
13 emergency purposes under this subsection unless funds in the education
14 construction fund have been exhausted.

15 (c) The state or any political subdivision of the state shall not
16 impose any tax on intangible property listed in RCW 84.36.070 as that
17 statute exists on January 1, 1993.

18 (4) If the cost of any state program or function is shifted from
19 the state general fund or a related fund to another source of funding,
20 or if moneys are transferred from the state general fund or a related
21 fund to another fund or account, the state expenditure limit committee,
22 acting pursuant to RCW 43.135.025(5), shall lower the state expenditure
23 limit to reflect the shift. For the purposes of this section, a
24 transfer of money from the state general fund or a related fund to
25 another fund or account includes any state legislative action taken
26 that has the effect of reducing revenues from a particular source,
27 where such revenues would otherwise be deposited into the state general
28 fund or a related fund, while increasing the revenues from that
29 particular source to another state or local government account. This
30 subsection does not apply to: (a) The dedication or use of lottery
31 revenues under RCW 67.70.240(3) or property taxes under RCW 84.52.068,
32 in support of education or education expenditures; or (b) a transfer of
33 moneys to, or an expenditure from, the budget stabilization fund.

34 (5) If the cost of any state program or function and the ongoing
35 revenue necessary to fund the program or function are shifted to the
36 state general fund or a related fund on or after January 1, 2007, the
37 state expenditure limit committee, acting pursuant to RCW

1 43.135.025(5), shall increase the state expenditure limit to reflect
2 the shift.

3 NEW SECTION. **Sec. 9.** On the effective date of this section, the
4 state treasurer shall transfer all money remaining in the emergency
5 reserve fund to the budget stabilization fund.

6 NEW SECTION. **Sec. 10.** The following acts or parts of acts are
7 each repealed:

8 (1) RCW 43.33A.220 (Emergency reserve fund--Board's duties) and
9 1999 c 288 s 2; and

10 (2) RCW 43.135.051 (Emergency reserve fund--State investment board
11 authority to invest or manage) and 1999 c 288 s 1.

12 NEW SECTION. **Sec. 11.** This act takes effect July 1, 2008, if the
13 proposed amendment to Article VII of the state Constitution (House
14 Joint Resolution No. (H-1048/07)) is validly submitted to and
15 is approved and ratified by the voters at the next general election.
16 If the proposed amendment is not approved and ratified, this act is
17 void in its entirety.

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